

EMPLOYEES' RETIREMENT SYSTEM OF THE COUNTY OF MILWAUKEE
MINUTES OF THE May 29, 2007 PENSION BOARD MEETING

1. Call to Order

Vice-Chairman John Martin called the meeting to order at 8:45 a.m. in the Green Room of the Marcus Center, 127 East State Street, Milwaukee, Wisconsin 53202.

2. Roll Call

Members Present:

Linda Bedford
John Martin (Vice Chairman)
Michael Ostermeyer
John Parish
Dr. Sarah Peck
Dr. Dean Roepke (Chairman)
Thomas Weber

Members Excused:

Donald Cohen
Marilyn Mayr

Others Present:

William Domina, Corporation Counsel
Mark Grady, Principal Assistant Corporation Counsel
Jack Hohrein, ERS Manager and Pension Board Secretary
Vivian Aikin, ERS Administrative Specialist
Scott Manske, Milwaukee County Controller
Alex Kotze, DAS Budget Unit Manager
Steven Huff, Reinhart Boerner Van Deuren s.c.
Chris Trebatoski, Weiss Berzowski Brady LLP
Kim Nicholl, Buck Consultants
Matt Strom, Buck Consultants
Ken Loeffel, Retiree
Jack Slattery, Retiree

3. Annual Actuarial Report and Contribution Request

Ms. Nicholl and Mr. Strom presented the actuarial valuation report to the Board. The Chairman arrived during the report. Ms. Nicholl and Mr. Strom provided a summary of the report, noting that the rate of return on assets for 2006 was 13.5% for market assets and 12.6% for actuarial assets. They discussed contributions and explained that the actual 2007 ERS contribution to be made in 2008 is \$50,355,000. They compared this amount to the estimated budget contribution of \$59,015,000 and indicated that the County expects \$49,290,000 to be contributed during 2008 for the 2007 plan year. They explained that the shortfall will be

amortized over five years and included in the 2008 budget contribution. They also reported that the unfunded accrued liability as of January 1, 2007 was \$405,688,000 and that ERS's funded status is 79%, which the Buck representatives indicated is average for a government pension plan.

The Buck representatives next discussed the assumption changes effective for the 2007 valuation. These changes affected the assumptions for payroll growth, back DROP elections, disability type, mortality table, salary scale and active decrement tables. They also reviewed the objectives of the actuarial process, which include determining the actual contribution for the current plan year and budget contribution for the next plan year, checking the progress and security of promised benefits and measuring net actuarial gain or loss. In response to a question from Dr. Peck, Ms. Nicholl explained the differences between returns for market assets and actuarial assets.

Mr. Strom reviewed with the Board the active and inactive member statistics, the ten-year history of member demographics, the market value of assets, the actuarial value of assets based on the five-year smoothing method and the ten-year history of market and actuarial assets. In response to a question from the Chairman, Ms. Nicholl confirmed that five-year smoothing is the most common method and a best practice.

Ms. Nicholl described the actuarial valuation process and the demographic, economic and other assumptions. She noted that the assumptions are reviewed annually for consistency with current experience and economic conditions. She explained that, once every five years, actual historical experience is compared to assumptions. She noted that the last experience review was reported to the Board in May 2007 and the next study is scheduled for 2012. However, assumptions can be addressed on an as-needed basis. Ms. Nicholl also reviewed with the Board the reserve funding process, funding methodology and unfunded accrued liability. The Board discussed interest rates and County Board policy.

Mr. Strom addressed the 2008 budget contribution assumptions, reconciliation of the 2007 budget to the 2008 recommended budget and the 10-year history of asset values and actuarial accrued liability.

The Buck representatives recommended that the Board approve the 2008 recommended budget contribution of \$47,084,000 and send a letter to the County requesting funds. Mr. Grady discussed the process for requesting funds from the County. He indicated that, pursuant to the Ordinances, the request is submitted to the County Executive in time for the County Board's session in June. In response to a question from the Chairman, the Buck representatives confirmed that their recommendations complied with the Ordinances.

The Board unanimously agreed to approve the recommended request of a contribution of \$47,084,000 by the County and authorized the Chairman to sign the letter to the County Executive. Motion by Mr. Martin, seconded by Mr. Parish.

4. Closed Session

The Chairman stated that the Board may enter closed session for the purpose of receiving oral or written advice from legal counsel concerning strategy to be adopted with respect to pending or possible litigation with regards to agenda item 5. He noted that, at the conclusion of the closed session, the Board may reconvene in open session to take whatever actions it may deem necessary concerning these matters.

The Board agreed by roll call vote to enter closed session to consider item 5.

5. Report on Compliance Review

The Board discussed this item in closed session and then returned to open session.

6. Proposed ERS Staff Requirements for 2008

Mr. Hohrein reported on proposed ERS staff requirements for 2008. He informed that Board that David Arena had started his new position as Benefits Director and that staffing requirements would be raised with Mr. Arena. Mr. Hohrein noted that additional employees are needed for projects such as adding documents to the V3 computer system.

7. Adjournment

The meeting adjourned at 10:35 a.m.

Submitted by Steven D. Huff,
Assistant Secretary to the Pension Board